85-00521

OFFICE OF THE ATTORNEY GENERAL

CHARLES A. GRADDICK
ATTORNEY GENERAL
STATE OF ALABAMA

JAMES R. SOLOMON, JR.
DEPUTY ATTORNEY GENERAL

WILLIAM M. BEKURS, JR.
EXECUTIVE ASSISTANT

WALTER S. TURNER
CHIEF ASSISTANT ATTORNEY GENERAL

JANIE NOBLES
ADMINISTRATIVE ASSISTANT

ADMINISTRATIVE BUILDING
64 NORTH UNION STREET
MONTGOMERY, ALABAMA 36130
AREA (205) 834-5150

SEP 20 1985

Honorable Annie Laurie Gunter
State Treasurer
The Capitol
Montgomery, AL 36130

State Treasurer--State Funds--
Bonds Funds--Interest

State not liable on 1870 bond.

Dear Mrs. Gunter:

This office is in receipt of your request for an opinion regarding whether the State is liable for payment to holder of a $1,000 State of Alabama bond issued on April 11, 1870. For the reasons hereinafter set out, it is the opinion of this office that the State is no longer liable on the bond.

The bond in question recites the following on its face:

> Know all men by these presents that the State of Alabama acknowledges to owe the bearer hereof the sum of ONE THOUSAND DOLLARS which sum the said State promises on the first day of February, A.D. 1900 together with interest at the rate of eight percent per annum payable on the first days of January and July of each year in the United States Gold Coin at the agency in the City of New York. The faith and credit of the State of Alabama are hereby pledged for the payment of the principal and interest of the Bond under the provisions of an Act of the General Assembly of the State of Alabama approved February 11, 1870, entitled an Act to loan the Credit of the State of Alabama

to the Alabama and Chattanooga Rail Road Company for the purpose of expediting the Construction of the Rail Road of said Company in the State of Alabama.

In testimony whereof, the Governor and Treasurer of the State of Alabama have signed this Bond and caused the Great Seal of the State of Alabama to be hereunto affixed this first day of April, A.D. 1870.

/s/ Arthur Bingham
State Treasurer

/s/ W. H. Smith
Governor

In 1874, the General Assembly created a Debt Commission to investigate the outstanding obligations of the State which had accrued due to the efforts of the reconstruction government of previous years. The Commission reported the outstanding indebtedness of the State at over $30,000,000. The remedy proposed and later implemented by the Debt Commission involved a settlement of bondholder's claims whereby bonds of the type in question were exchanged for new bonds at the rate of one for two with the State accepting a clear loss of 50% of the outstanding debt. Therefore, the bondholder in question by virtue of not having exchanged the 1870 bond for the newer bond is not entitled to payment on the bond.

I trust this answers your question.

Sincerely,

CHARLES A. GRADDICK
ATTORNEY GENERAL

BY- A. S. Agricola, Jr.

ALGERT S. AGRICOLA, JR.
ASSISTANT ATTORNEY GENERAL

CAG/asa, jr./s